Daily Energy Markets
VIEWS YOU CAN USE

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Oil Diverging from Equity Markets

In the short-term, oil prices could go in any direction. WTI is trading around 85 to 86. It needs to go $4-$5 lower for it to be an interesting sale. In other words, if it gets below $81.50, then things change. And if it goes above 90, which is another $5, then it becomes a buy. There's no correlation between oil and the equity markets. If the S&P can manage to get over 3192, then it could bounce one last time to over 4000. I think the next move of consequence for equity markets is a big fall. The West going forward will no longer have access to cheap energy, which means that their business model of taking cheap energy is going to be rebalanced. When you see the snow start to melt after the winter, it is going to be a completely different Europe and a completely different US economically and politically. That is going to have a big impact on oil. In the short term, oil could go up and down, but in the long term, it's going to come off and big time.

Tight Liquidity in the Coming Months

You don't have to borrow massively on the physical side, but credit is going to get squeezed from corporate and government bonds, and even from the consumer banks. They are not lending and trying to reduce their balance sheets. It is all coming. There is this piece from Credit Suisse which said that Germany on its own, leveraged $20bn of Russian gas into $2 trillion of product. That's gone forever. ■

**Paraphrased Comments*

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